Actuarial Report on Credit Unemployment Insurance in Arizona

INTRODUCTION

HB 2135 – Consumer Credit Insurance – was passed by the Arizona Legislature during 2002 and became effective on January 1, 2003. HB 2135 establishes a new regulatory scheme for Credit Unemployment Insurance (CUI).

CREDIT UNEMPLOYMENT INSURANCE DEFINED

Under HB 2135, "Credit Unemployment Insurance" means casualty insurance on a Debtor to provide indemnity for payments or debt becoming due on a specific loan or other credit transaction while the debtor is involuntarily unemployed as defined in the policy. Usually there is a waiting period, such as 30 days of continuous unemployment, before benefits become payable. Coverage may be purchased for Benefits to be paid Retroactive to the first day of unemployment, or Non retroactive beginning after the completion of the waiting period. Benefits may be for a limited number of months or for the entire loan period. Also benefits may be for the full monthly loan payment, or for the minimum monthly loan payment amount. CUI rates may be applied either to the initial amount financed or to the remaining monthly outstanding balances. Rates that are applied only once to the initial amount financed are referred to as "Single Premium (SP)." "Monthly Outstanding Balance (MOB)" refers to rates that are applied each month to the outstanding loan balance.

REASONABLENESS OF BENEFITS IN RELATION TO PREMIUM CHARGED

Sub-paragraph A.R.S. § 20-1610.C of HB 2135 provides that "Rates for Credit Unemployment Insurance are subject to Section 20-1621.05. Paragraph A of Section 20-1621.05 says that "An Insurer's premium rates shall be reasonable in relation to the benefits provided and shall not be excessive, inadequate or unfairly discriminatory".

In addition the following sub-paragraphs of Section 20-1621.05 refer to actions to be taken by the Director. Briefly these are:
Paragraph 20-1621.05.B provides for the Director to establish a Loss Ratio Standard at least once every three years. When doing this the Director is to consider the following;

1) The actual and expected experience of insurers
2) A reasonable Catastrophe provision
3) Reasonable General and Administrative expenses
4) Reasonable Acquisition expenses
5) Reasonable Creditor Compensation
6) Investment Income
7) Premium Taxes, Licenses, Fees, Assessments
8) Reasonable Underwriting Profit and Contingencies

Paragraph 20-1621.05.C provides for the Director to establish Prima Facie Rates concurrently with the establishment of the Loss Ratio Standard.

In 20-1621.05.C.1 provision is made for a Certification Form insurers are to use for reporting, by April 1, of each year. This form is to certify that the rates do not exceed the Prima Facie Rates and are not inadequate or unfairly discriminatory.

REVIEW OF THE ARIZONA CREDIT UNEMPLOYMENT BUSINESS

In order to develop a basis for the establishment of a Loss Ratio Standard for the Credit Unemployment business a review of the business was undertaken by the Department of Insurance (DOI). This involved the following steps;

A. Review of rate and form filings that had been submitted by the various Companies.
B. Review of the loss experience for the years 1998-2002.
C. Review of the Data Call to obtain additional information.

The comments following show the results of the reviews covering each of these three steps.

A. Review of rate and form filings that had been submitted by the various Companies.

From the rate filings that had been submitted by the various Companies we selected a representative sample involving eleven different rate filings. These are summarized in Exhibit 1. This summary involves a mixture of plans and benefits, and is a real aid in showing the range of values used by the Companies for the different components of the rates. In all rate filings studied the rate components were listed by the Companies as percentages of the rates to be charged. For example, the Claims Cost line shows a total average of 54.77%. This amount represents the average percentage of the premiums that the Companies said would be returned to the Consumers in the form of benefits. Listed below are the averages from the 11 rate filings for each of the rate components shown in Exhibit 1:

Investment Income	2.58%
Claims Cost	54.77%
Loss Adjustment Expense	2.45%
General Expenses	9.25%
Commissions	23.94%
Other Acquisition Expenses	4.35%
State Prem. Taxes & Fees	3.05%
Profit and Contingencies	4.78%

These component values will be discussed in detail later in this report. Looking at an overall review of the Exhibit 1 averages the Companies said they would return about 55% of the premiums in benefits to the Consumer, and retain about 45% for their operations. This satisfies an intuitive test for reasonableness for coverage's offered by an Insurer. That is, at least as much is being returned to the consumer, 50% or higher, as is being used by the Companies for commissions to Creditors, various expenses, and profits and contingencies.

B. Review of the loss experience for the years 1998-2002.

The Credit Unemployment loss experience for the years 1998-2002 is shown in Exhibit 2. Results are shown for the 17 Companies that wrote business during that period. The sources for the information in Exhibit 2 are the NAIC I-SITE database and the filed Company Annual Statement Credit Insurance Experience (CIEE) reports. The first table in Exhibit 2 is a summary showing the experience for the various sub-lines and an overall total for all business. A listing of the Actual Loss Ratios (Incurred Claims/ Actual Earned Premiums) by sub-line is listed below:

Part 3A-1, 30 Day Retro – Single Premium	14.62%	
Part 3A-2 30 Day Non Retro – Single Premium	0.00%	(No business was reported)
Part 3A-3, 30 Day Retro – MOB	4.38%	
Part 3B-1, 30 Day Non Retro – MOB	6.12%	
Part 3B-2, Other	3.35%	
Total All Business 1998-2002	4.60%	

The summary reveals a significant difference between these loss ratios and the average of 55% in Claims Cost that the Companies said would be paid in the Exhibit 1 rate filings and the above actual total of around 4.60%. Following the summary page in Exhibit 2 are tables showing the experience results by each sub-line. These list additional information by sub-line for each of the Companies writing business during the years 1998-2002. It appears from these results that collectively the Companies rate filings were based upon faulty assumptions. There seems to be no other way to explain the disparity between 55% and 4.60% overall result. The preliminary conclusions to be reached from these large variances in Claims Costs are that the premium rates charged were excessive and not reasonable in relation to the benefits provided. To correct this inequity substantial decreases in the rates for all sub-lines are indicated.

A number of the interested parties (IP) expressed the comment that the 1998-2001 experience period used for the initial study did not reflect the increased loss experience of 2002 and early 2003. The experience of 2002 has been incorporated in the "Recommended Prima Facie Rates" that are shown in a later section of this Report.

C. Review of the Data Call to obtain additional information.

In order to obtain additional information about the Credit Unemployment business the Department issued a data call in early October 2002 (see Exhibit 3). This was mailed to the 17 Companies writing business. Data was requested for the years 1998-2001 for both Arizona only business and all States combined (Countrywide).

The main purpose of the Data Call was to obtain more detailed information regarding the various rate components. Particularly those to be considered under A.R.S. § 20-1621.05(B) at the time the Director would establish the Loss Ratio Standard. Also, the Data Call results would allow for a comparison of the actual experience with what had been given for these components in the various Companies rate filings.

The Data Call asked the Companies to give further breakdowns of business by Class, Plans, and Type of Benefits. Also, Rate information and Numbers of Policy and Claim Counts were to be included. These items would be in addition to the Annual Statement loss ratio experience information we had listed in Exhibit 2. The table shown as Exhibit 4 shows how the 17 Companies responded to the Data Call. Only six of them were able to submit complete information. Eight submitted incomplete data, and three submitted no additional data. The main problem was the inability of some Companies to retrieve information on Claim and Policy Counts, and various Expense items from their systems. This was a big disappointment and placed a severe limit on our review of some of the components. For if we could have utilized the combination of information that would have included Policy Counts, General Expenses, Incurred Claims and Rates, it would have allowed us to determine the rate components of Claim Costs and General Expenses per $100. The breakdown of Claim Costs and General Expenses per $100 are helpful when making rate calculations. The reason for this is that the premium rates charged the consumer are based upon per $100 of outstanding monthly balance or per $100 of the total loan amount. Also, some rates are based upon per $10 of monthly benefits or some percentage to determine monthly benefits. In order to develop rates we need a break down of the experience by these various rating units.

ITEMS TO BE CONSIDERED WHEN ESTABLISHING THE LOSS RATIO STANDARD

Paragraph 20-1621.05.B provides for the Director to consider the following when establishing a Loss Ratio Standard:

1) The actual and expected experience of insurers
2) A reasonable Catastrophe provision
3) Reasonable General and Administrative expenses
4) Reasonable Acquisition expenses
5) Reasonable Creditor Compensation
6) Investment Income
7) Premium Taxes, Licenses, Fees, Assessments
8) Reasonable Underwriting Profit and Contingencies

It is important to note that some of the above components to be considered by the Director are in the form of "Reasonable" values. What a Company might allocate for a component does not mean it would be considered "Reasonable". In order for the Director to consider these items some idea as to how to assess a value for each of them is needed. We will discuss if and how this might be done for each of these Components in the comments following:

1). **The actual and expected experience of insurers:** For this component we can use the actual loss ratio experience of each Company. The Exhibit 2 pages show the actual experience as reported by the Companies for years 1998-2002. This information is reported as a percentage of the premium and needs to be converted to a claim cost per $100, or some similar unit cost, for rate calculation purposes. This is usually done using the premium information furnished by each Company (Claim Cost = Actual Loss Ratio Percentage x Company Premium per $100). When considering "expected" experience we found that in the initial four years studied (1998-2001) there were no significant trends in the actual loss experience that would indicate future "expected" experience should be considered. The IP did alert us to the increase in 2002 experience, however the overall loss ratio in Exhibit 2 was only 4.60%. This is far below the average of 54.77% the Companies said would be paid in their rate filings.

2). **A reasonable Catastrophe provision:** None of the Company rate filings we reviewed included an amount for Catastrophic occurrences. We feel the reason for this is that in the history of this line of business there have been no significant catastrophic events. Currently it does not appear this item needs to be considered. Based on history of this to date we feel that an allowance for the filing of upward deviations in rates will alleviate the need for any consideration of this contingency. Deviations in rates will be discussed later in this report.

3). **Reasonable General and Administrative expenses:** We were not able to obtain any information from the Company Data Call reports as to what should be Reasonable General and Administrative expenses. Our main problem with this is the manner of the reporting of General and other Expenses by the Companies. In the Data Call we asked them to attach a statement describing the method used for allocating the following expense items; Other Acquisition Expenses Incurred, General Expenses Incurred, and Allocated and Unallocated Loss Adjustment Expenses Incurred. Many Companies were unable to furnish any amounts for these expenses. For those that did report these expenses we found in all cases that the General Expenses were not allocated to this line of business as required by Statements of Statutory Accounting Principles (SSAP) No. 70, or Actuarial Standards of Practice (ASP) No. 29, Section 3.2. (See Exhibit 5). Instead these expenses were allocated using broad percentages as a basis. There were a number of examples of this. One Company reported "general expenses and other acquisition expenses are allocated on the percentage of premium by line of business to total company premium". Another Company reported the following in response to the question regarding the allocation for Other Acquisition Expenses Incurred and General Expenses Incurred: "Precise expense allocations were not available. Allocations were prepared based on an analysis of total company expense ratios as compiled by the Finance Department". Still another said, "Line 3.4 (*General Expenses Incurred*) is prorated as Countrywide Inland Marine General Expenses to Countrywide Inland Marine Written Premiums times Countrywide Credit Unemployment Gross Written Premiums".

From the overall information received we reached the same conclusion that the California Insurance Department did from its review of their Data Call information for the years 1998-2000. This conclusion was, " Expense Data – One of the comments from the Hearing was that the Department of Insurance did not consider the companies' actual loss and expense data. Subsequently this data call was conducted to collect actual company experience. While the loss data supplied in the data call was program or product specific data, the expenses were not. Most of the companies explained that their expenses were 'allocated' based on premium. In view of this 'estimated' expense, the Department cannot promulgate a rate based on 'actual' company expenses for each product category". (See page 29 of *California 1998-2000 Credit Property and Credit Unemployment Insurance Report; Released August 2002*)

In summary, there is no information available as to how the Director may consider "Reasonable General and Administrative expenses" when establishing a Loss Ratio Standard.

4). **Reasonable Acquisition expenses:** The average shown by the Companies in Exhibit 1 for this component is 4.35%. We selected an amount of 5.00% of the premium as reasonable.

5). **Reasonable Creditor Compensation: The** average shown in Exhibit 1 for the commission compensation the Companies proposed to pay was 23.94%. However, the Companies did not pay 23.94% in compensation, as the actual figure shown in Exhibit 2 is 45.03%. This 45.03% amount compares to the 4.60% of benefits received by the consumer for the period 1998-2002 was (Exhibit 2). From these results we find the Companies paid ten times more in compensation than in benefits. In dollar amounts the commission compensation was $50,496,379 vs. $4,986,072 in claims. It is hard to find any justification for this significant variance. In fairness and considerations of equity it is our recommendation that Creditor Compensation should not exceed the benefits paid to the Consumer. Other than this we are unable to make a specific recommendation as to what the Director should consider as "Reasonable Creditor Compensation" when establishing a Loss Ratio Standard.

6). **Investment Income:** The average shown in Exhibit 1 by the Companies for this component is 2.58%. As interest rates are severely depressed by the current economy we recommend an amount of 0.00% as reasonable at this time. Later as investment interest rates rise an amount for this may be considered.

7) **State Premium Taxes, Licenses, Fees , Assessments:** The average shown by the Companies in Exhibit 1 for this component is 3.05%. Based on a previous study of Arizona Premium Taxes and Fees we selected an amount of 2.5% as reasonable.

8) **Reasonable Underwriting Profit and Contingencies:** The average shown by the Companies in Exhibit 1 for this component is 4.78%. We selected an amount of 5.00% as reasonable for this component.

When these various Components are summarized we get the following values to use for these items:

1)	The actual and expected experience of insurers	Use actual Claim Cost
2).	A reasonable Catastrophe provision	Do not consider
3).	Reasonable General and Administrative expenses	No information available
4).	Reasonable Acquisition expenses	5.0% of the premium
5).	Reasonable Creditor Compensation	No information available
6).	Investment Income	Do not consider
7).	Premium Taxes, Licenses, Fees, Assessments	2.5% of the premium
8).	Reasonable Underwriting Profit and Contingencies	5.0% of the premium

In reviewing the individual components we find that the only specific value is item 1)., the actual Claim Cost. All of the rest of the items are either unknown values or assumed values. With so much important information missing there is no possible way for the Director to collectively consider these components for the calculation of Prima Facie Rates. Instead Prima Facie rates will have to be determined using the actual Company Claim Costs, the individual Company premium rates and the selected Loss Ratio Standard. The procedures for doing this will follow in a later section of this Report.

THE RECOMMENDED LOSS RATIO STANDARD

Earlier in Exhibit 1 the Company rate filings showed that the Companies average return of benefits to the Consumer would be about 55%. Comment was made then by DOI that this seems to satisfy an intuitive test for reasonableness. That is, there is at least as much being returned to the consumer, 50% or higher, as is being used by the Companies for commissions to Creditors, various expenses, and profits and contingencies. The conclusion to draw from the rate filings is that the average of 55% is what the Companies were indicating should be the established Loss Ratio Standard. Using this as an indication it is recommended that the Director establish 50% as the Loss Ratio Standard. This slightly lower percentage is recommended to provide the Companies a margin for fluctuations in loss experience.

INDICATED RATES BY COMPANY

In this section of the Report we will use the claim cost information reported in the Data Call to calculate Indicated Rates by the various sub-lines. If feasible, our goal will be to use this indicated rate information to determine a recommendation for the adoption of the final Prima Facie rates. Indicated Company rates are calculated in Exhibit 6 using 50% as the Loss Ratio Standard and the following formula:

INDICATED RATE PER $100 = (Actual Loss Ratio Percentage x Current Company Premium per $100)/ 50%

Exhibit 6 shows these Indicated Rates by the sub-line data taken from the Data Call information for the period 1998-2001 and from the NAIC I-SITE database for 2002. This summarizes the small amount of usable loss experience and premium data that was submitted by the Companies for the base experience period 1998-2001, and for the year 2002. Results are shown for the following sub-lines:

Part 3A-1 Business – 30 Day Retro Single Premium.
Part 3A-3 Business – 30 Day Retro MOB.
Part 3B-2 Business – Other.

There was no business reported on Part 3A-2 , the 30 Day Non-Retro Single Premium sub-line. Also, the information submitted for Part 3B-1, the 30 Day Non Retro MOB Business was too small to be credible.

These Indicated rates are very low when compared with the current rates the Companies were charging. They are based solely on the claims costs reported by the Companies and calculated using a 50% Loss Ratio Standard. Some of the Indicated rates are so low that we wonder how Companies will be able provide a reasonable return of 50% to the consumer and still retain a sufficient amount to operate the business.

The reason for our concern is the information that one Company sent to us. This was a copy of information on its rate-making procedures and different expense components. Part of this had been filed previously with the California

Insurance Department, and another part recently accompanied the Company's comments to our Department. They had reported to California that for Single Premium business the cost to administer was 31.0 cents per $100 of gross indebtedness. They reported to our Department that on the Monthly Outstanding Balance business the cost to administer the business was 3.0 cents plus 7.0 cents of fixed acquisition expenses per $100 of monthly outstanding balance. We have no way of determining as to whether or not these costs are reasonable. Also, the costs are not Arizona specific data. However, for illustrative purposes only we will use these amounts in the calculations that follow. As such these calculations do not necessarily represent the methods that might be used to make any final rate recommendations.

In Exhibit 6 the indicated rates were calculated using a 50% Loss Ratio Standard (LRS). For purposes of illustration and comparison only we are now going to calculate a second set of indicated rates. This will utilize the component rating method (CRM) that was used by the Company. The formula for this calculation is:

Indicated CRM Rate per $100= (Fixed Expenses per $100) / (1.00 – Variable Expenses)

Indicated CRM Rate per $100= (Claim Cost + General Expenses) / (1.00 – Variable Expenses)

Fixed expenses per $100 are Claim Costs and General Expenses. Variable expenses are those expressed as a percentage of the premium. Such as commission expense, other acquisition expense, and State premium taxes. Some of the other variable items are investment income, catastrophe provision, and amounts for profit and contingencies.

The assumptions used are:

For Single Premium business

Claim Costs: Part 3A-1 average from Exhibit 6: $0.47 per $100

General Expenses: From Company report to California $0.31 /$100

Variable Expenses: From Exhibit 1 filings: 35.98%

Then the Indicated CRM Rate per $100= (Claim Cost + General Expenses) / (1.00 – Variable Expenses)

= ($0.47 + $0.31) / (1.00 – .3598)

= $0.78 / .6402

Indicated CRM Rate per $100= $1.218

The $1.218 CRM rate compares with the $0.94 rate (2 x $0.47) obtained by using the 50% Loss Ratio Standard.

The CRM loss ratio is then: Claim Cost / CRM Rate per $100 = $0.47 / $1.218 = 38.6%.

The 38.6% loss ratio result is not acceptable under a 50% Loss Ratio Standard.

For MOB Business

Claim Costs: The Company's 2002 Arizona Claims costs were $0.03 per $100. (This is the same as the 2002 Exhibit 6, Part 3A-3 average of $0.03 per $100).

General Expenses: From Company report to Arizona were $0.03 +$0.04 /$100 = $0.07 / $100

Variable Expenses: From the Company's report: 31.63%

Then the Indicated CRM Rate per $100= (Claim Cost + General Expenses) / (1.00 – Variable Expenses)

= ($0.03 + $0.07) / (1.00 – .3163)

= $0.10 / .6837

Indicated CRM Rate per $100= $0.146

The $0.146 rate compares with the $0.06 rate (2 x $0.03) obtained by using the 50% Loss Ratio Standard.

The CRM loss ratio is then: Claim Cost / CRM Rate per $100 = $0.03 /.146 = 20.5%

The 20.5% loss ratio result is not acceptable under a 50% Loss Ratio Standard.

It is obvious from these two illustrative calculations using the component rating method that Companies will have to significantly reduce both their fixed and variable costs to offer business under a 50% Loss Ratio Standard. We have to caution the reader that these are purely illustrations. We believe they are reasonable possibilities. However, as we have no way of knowing what the Companies' true costs are, they are not based on actual facts.

RECOMMENDED PRIMA FACIE RATES

Exhibit 7 shows the New Prima Facie Rates that have been recommended for Single Premium and MOB business. The rates and format of the rate tables have been revised as a result of the comments received from Interested Parties. The rates are based on the review of the range of claim costs reported by the Companies on Arizona business and on the recommended 50% Loss Ratio Standard. As discussed earlier in this Report these new rates are significantly below the Companies present rate levels.

We would also recommend that a Company be permitted to file for an upward deviation in a rate where loss ratios have exceeded 50%. When doing so the Company will be required to use the Credibility Table shown in Exhibit 8.

LISTING OF EXHIBITS

1. Representative Rate Filings Showing Components.
2. Arizona – Credit Unemployment Experience for Years 1998-2002.
3. Call for Arizona Credit Unemployment Experience and Expense Data.
4. Company Information Entered for Rate Calculations.
5. Allocation of Expenses under SSAP No. 70 and ASP No. 29.
6. Indicated Rates By Sub-Lines.
7. Recommended Prima Facie Rates.
8. Credibility Table.

Credit Unemployment Insurance **IUI EXHIBIT 1**

Representative Rate Filings Showing Components (All Filings showed these as a Percentage of the Premium)

	Rate Component	American Bankers	American Bankers	Cent.States Ind.Omaha	Northbrook Ind. Co.	Northbrook Ind. Co.	Lyndon Prop. I. C.	Reliance Ins. Co.	Reliance Ins. Co.	Triton Ins. Co.	Virginia Surety	Wesco Ins. Co.	Values Average 11 Filings
a.	Investment Income	3.80	4.20	0.00	1.00	1.00	1.00	5.00	7.00	4.40	1.00	0.00	2.58
b.	Claims Cost	53.80	44.80	50.00	55.00	55.00	55.00	60.00	60.00	55.90	53.00	60.00	54.77
c.	Loss Adjustment Expense	3.50	0.00	2.00	5.00	3.00	3.00	5.00	2.40	0.00	3.00	0.00	2.45
d.	General Expenses	5.70	9.00	7.50	8.00	10.00	10.00	12.00	24.60	6.50	6.00	2.50	9.25
e.	Commissions	30.00	30.00	15.00	20.00	25.00	25.00	20.00	10.30	30.00	28.00	30.00	23.94
f.	Other Acquisition Expenses	3.40	12.40	18.00	5.00	0.00	0.00	0.00	0.00	5.00	2.00	2.00	4.35
g.	State Prem. Taxes & Fees	2.80	3.00	2.50	3.00	3.00	3.00	3.00	4.70	2.00	4.00	2.50	3.05
h.	Profit & Contingencies	4.60	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	3.00	4.78
Total Expense and Profit Components		50.00	59.40	50.00	46.00	46.00	46.00	45.00	47.00	48.50	48.00	40.00	47.81
Check	1.00 + a - b - c - d - e - f - g - h	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Benefit:	O.B. Monthly Payment	O.B. Lump Sum	O.B. Monthly Payment	Sing. Prem Monthly Payment	O.B. Monthly Payment	O.B. Monthly Payment	O.B. 3% Min. Payment	O.B. Monthly Payment	O.B. 3% Min. Payment	O.B. 3% Min. Payment	O.B. Monthly Payment	

Source: Company Rate Filings

IUI EXHIBIT 2

EXHIBIT 2 SUMMARY
ARIZONA CREDIT UNEMPLOYMENT EXPERIENCE 1998 - 2002

EXHIBIT 2
SUMMARY

PART 3A - 1 **30 DAY RETRO - SINGLE PREMIUM**

Year	Control Code	Net Wrtn. Prems	Actual E. Prems.	Incurred Claims	Actual Loss Ratio	Incurred Comp.	Comp. A.P. Ratio
1998	31.1	2,292,803	978,880	144,633	14.78%	763,544	33.30%
1999	31.1	2,023,113	1,202,341	132,048	10.98%	(326,235)	-16.13%
2000	31.1	2,683,959	1,476,676	196,310	13.29%	408,910	15.24%
2001	31.1	2,157,135	1,826,549	249,883	13.68%	371,610	17.23%
2002	31.1	754,764	1,584,553	310,672	19.61%	107,384	14.23%
TOTAL	31.1	9,911,774	7,068,999	1,033,546	14.62%	1,325,213	13.37%

PART 3A - 2 **30 DAY NON RETRO - SINGLE PREMIUM**

Year	Control Code	Net Wrtn. Prems	Actual E. Prems.	Incurred Claims	Actual Loss Ratio	Incurred Comp.	Comp. A.P. Ratio
1998	31.2	-	-	-	0.0%	-	0.0%
1999	31.2	-	-	-	0.0%	-	0.0%
2000	31.2	-	-	-	0.0%	-	0.0%
2001	31.2	-	-	-	0.0%	-	0.0%
2002	31.2	-	-	-	0.0%	-	0.0%
TOTAL	31.2	-	-	-	0.0%	-	0.0%

PART 3A - 3 **30 DAY RETRO - MOB**

Year	Control Code	Net Wrtn. Prems	Actual E. Prems.	Incurred Claims	Actual Loss Ratio	Incurred Comp.	Comp. A.P. Ratio
1998	31.3	13,083,451	13,083,451	585,416	4.47%	7,657,783	58.53%
1999	31.3	11,151,888	11,153,257	364,551	3.27%	6,942,602	62.25%
2000	31.3	11,076,061	11,079,194	313,423	2.83%	6,162,976	55.64%
2001	31.3	9,796,407	9,807,040	456,842	4.66%	5,186,739	52.95%
2002	31.3	7,753,578	7,752,854	595,536	7.68%	3,524,712	45.46%
TOTAL	31.3	52,861,385	52,875,796	2,315,768	4.38%	29,474,812	55.76%

PART 3B - 1 **30 DAY NON RETRO - MOB**

Year	Control Code	Net Wrtn. Prems	Actual E. Prems.	Incurred Claims	Actual Loss Ratio	Incurred Comp.	Comp. A.P. Ratio
1998	32.1	80,989	80,989	7,011	8.66%	38,928	48.07%
1999	32.1	96,912	96,912	8,423	8.69%	36,807	37.98%
2000	32.1	83,849	83,849	1,197	1.43%	31,735	37.85%
2001	32.1	81,507	81,507	3,846	4.72%	35,733	43.84%
2002	32.1	66,991	66,991	4,630	6.91%	18,769	28.02%
TOTAL	32.1	410,248	410,248	25,107	6.12%	161,972	39.48%

PART 3B - 2 **OTHER**

Year	Control Code	Net Wrtn. Prems	Actual E. Prems.	Incurred Claims	Actual Loss Ratio	Incurred Comp.	Comp. A.P. Ratio
1998	32.2	8,336,324	8,336,324	638,881	7.66%	4,195,011	50.32%
1999	32.2	10,865,364	10,865,364	431,574	3.97%	4,203,365	38.69%
2000	32.2	10,555,004	10,555,004	60,334	0.57%	4,502,927	42.66%
2001	32.2	9,861,341	9,861,341	153,301	1.55%	3,903,203	39.58%
2002	32.2	9,334,623	8,500,450	327,561	3.85%	2,729,876	29.24%
TOTAL	32.2	48,952,656	48,118,483	1,611,651	3.35%	19,534,382	39.90%

TOTAL - ALL ARIZONA CREDIT UNEMPLOYMENT EXPERIENCE

ARIZONA DEPARTMENT OF INSURANCE
2910 NORTH 44th STREET, SUITE 210
PHOENIX, ARIZONA 85018 - 7256

FORM A
IUI

ARIZONA - CREDIT UNEMPLOYMENT INSURANCE EXPERIENCE DATA CALL, CALENDAR YEARS 1999 - 2001

COMPANY NAME ____ **NAIC COMPANY CODE** _____________

CLASSES OF BUSINESS: (Check one) **POLICY NUMBER:**_________________

- ☐ a. Credit Unions
- ☐ b. Banks, Savings and Loan Institutions, and Mortage Companies
- ☐ c. Finance Companies, Small Loan Companies, and A.R.S 6-601(5) Consumer Lenders
- ☐ d. Dealers, including auto, truck and boat dealers, retail stores, and other persons selling financed goods
- ☐ e. All other persons selling Credit Insurance not specifically listed above.

MODE OF PREMIUM PAYMENT: (Check one)

- ☐ Single Premium
- ☐ Monthly Outstanding Balance (MOB)
- ☐ Other (Describe)______________________

PLAN OF BENEFITS (Check Applicable Boxes)

- ☐ 30 Day Retro
- ☐ 30 Day Non Retro
- ☐ Single Life
- ☐ Joint Life
- Other (Describe)______________________ __________________________________

TYPE OF BENEFIT AND DURATION (Check one from each column)

- ☐ Monthly Benefit -- Closed End Loan
- ☐ Monthly Benefit -- Open End Loan
- Amount of OE Benefit ____________
- ☐ Lump Sum or Other (Describe) __________

- ☐ Maximum of Six (6) Benefit Payments
- ☐ Maximum of Nine (9) Benefit Payments
- ☐ Unlimited Benefit Payments (up to policy limit)
- ☐ Lump Sum or Other (Describe) __________

		Calendar Year 1999	2000	2001
1. ARIZONA - EARNED PREMIUMS:				
1.1 Gross written premiums	$			
1.2 Refunds on terminations	$			
1.3 Net written premiums (Lines 1.1 - 1.2)	$			
1.4 Premium reserves, start of period	$			
1.5 Premium reserves, end of period	$			
1.6 Actual earned premiums, (Lines 1.3 + 1.4 - 1.5)	$			
2. ARIZONA - INCURRED CLAIMS:				
2.1 Claims Paid	$			
2.2 All Claim reserves, start of period	$			
2.3 All Claim reserves, end of period	$			
2.4 Incurred Claims (Lines 2.1- 2.2+ 2.3)	$			
2.5 Paid Claim Count	Number			
3. ARIZONA - PRODUCT SPECIFIC EXPENSES:				
3.1 Commissions and Service Fees Incurred	$			
3.2 Other Incurred Compensation	$			
3.3 Allocated Loss Adjustment Expense Incurred	$			
3.4 Premium Taxes Incurred	$			
4. ARIZONA - POLICY DATA:				
4.1 Rate in Effect on the later of 1/1/98 or product inception				
4.2 Rate Change Dates and New Rates				
4.3 Certificates In Force End of Year	Number			
4.4 Certificates Issued During Year	Number			
4.5 Group Policies in Force End of Year	Number			
4.6 Group Policies Issued During Year	Number			

____ ______________________

Prepared by: Signature and Title **DATE**

Arizona - List of Companies Writing Credit Unemployment Insurance **EXHIBIT 4**
Company Information Entered for Rate Calculations

List Ref. No.	NAIC No.	Company Name	Part 3A-1	Part 3A-2	Part 3A-3	Part 3B-1	Part 3B-2
1	19232	Allstate Insurance Company					
2	10111	American Bankers Ins. Co. of Florida			XXX		XXX
3	24376	American General Indemnity Company					
4	19615	American Reliable Insurance Company	XXX				
5	42978	American Security Insurance Company					XXX
6	21296	Associates Insurance Company					
7	24813	Balboa Insurance Company					
8	34274	Central States Indemnity Co. of Omaha			XXX		
9	20796	GE Casualty Insurance Company (!)			XXX		
10	40827	Combined Specialty Insurance Company (*)					
11	93521	General Fidelity Ins. Co.					
12	27138	Kemper Casualty Ins. Co.					
13	42986	Standard Guaranty Ins. Co.					
14	10952	Stonebridge Casualty Insurance Co. (+)			XXX		
15	41211	Triton Insurance Company					
16	35971	Voyager Property and Casualty Ins. Co.					
17	25011	Wesco Ins. Co.	XXX				

XXX Denotes information was taken from Data Call Reports

(!) Previously reported under name of 20796 Colonial Penn Franklin Insurance Co.
(*) Previously reported under name of 40827 Virginia Surety Company, Inc.
(+) Previously reported under name of 10952 J.C. Penny Casualty Ins. Co.

EXHIBIT 5

SSAP No. 70
Allocation of Expenses
STATUS

Type of Issue: Common Area
Issued: Initial Draft
Effective Date: January 1, 2001
Affects: No other pronouncements
Affected by: No other pronouncements
Interpreted by: No other pronouncements

Allocation of Expenses

SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for presentation and allocation of certain expenses of reporting entities into general categories and the apportionment of shared expenses between members of a group of entities.

SUMMARY CONCLUSION

2. This statement establishes uniform expense allocation rules to classify expenses within prescribed principal groupings. It is necessary to allocate those expenses which may contain characteristics of more than one classification, which this statement will refer to as allocable expenses.

3. Allocable expenses for property and casualty insurance companies shall be classified into one of three categories on the Underwriting and Investment Exhibit as follows:

a. Loss adjustment expenses—Expenses incurred in the adjusting, recording and paying of claims (including expenses associated with commutations);

b. Investment expenses—Expenses incurred in the investing of funds and pursuit of investment income. Such expenses include those specifically identifiable and allocated costs related to activities such as initiating and handling orders, researching and recommending investments (i.e., investment strategy), appraising, valuing, disbursing funds and collecting income, securities safekeeping, real estate taxes, records maintenance, data processing, support personnel, postage and supplies, office overhead, management and executive duties and all other functions reasonably associated with the investment of funds; or

c. Other underwriting expenses—Allocable expenses other than loss adjustment expenses and investment related expenses.

4. Similarly for life and accident and health insurers allocable expenses shall be categorized as general insurance expenses; insurance taxes, licenses and fees; or investment expenses which are netted against investment income on the Summary of Operations.

5. Allocation to the above categories should be based on a method that yields the most accurate results. Specific identification of an expense with an activity that is represented by one of the categories above will generally be the most accurate method. Where specific identification is not feasible allocation of expenses should be based upon pertinent factors or ratios such as studies of employee activities, salary ratios or similar analyses.

6. Allocation may be entirely to one expense category based upon the type of expense incurred, for example, premium taxes would be 100% allocated to Other Underwriting Expenses for property and casualty companies. Other expenses may be allocated across several categories, such as salaries, which may be allocated to both general insurance expenses and net investment income of a life and accident and health company.

7. Many entities operate within a group where personnel and facilities are shared. Shared expenses, including expenses under the terms of a management contract, shall be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity. The apportionment shall be completed based upon specific identification to the entity incurring the expense. Where specific identification is not feasible apportionment shall be based upon pertinent factors or ratios.

8. Any basis adopted to apportion expenses shall be that which yields the most accurate results and may result from special studies of employee activities, salary ratios, premium ratios or similar analyses. Expenses that relate solely to the operations of a reporting entity, such as personnel costs associated with the adjusting and paying of claims, must be borne solely by the reporting entity and are not to be apportioned to other entities within a group.

9. Apportioned expenses are subject to presentation and allocation as provided in paragraphs 3 through 6.

10. Any material individual component of the reported expense categories shall be presented either on the face of the Summary of Operations or within the footnotes or related exhibits (e.g., Exhibits 5 and 6 of the Life and Accident and Health annual statement, and Underwriting and Investment Exhibit, Part 4—Expenses of the Property and Casualty annual statement) to the financial statements.

11. Refer to the preamble for further discussion regarding disclosure requirements.

Effective Date and Transition

12. This statement is effective for years beginning January 1, 2001. A change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with SSAP No. 3—Accounting Changes and Corrections of Errors.

AUTHORITATIVE LITERATURE

Statutory Accounting

· NAIC Annual Statement Instructions for Property and Casualty Insurance Companies, "Underwriting and Investment Exhibit"

· NAIC Annual Statement Instructions for Life and Accident and Health Insurance Companies, "Exhibit 5—General Expenses"

RELEVANT ISSUE PAPERS

· Issue Paper No. 94—Allocation of Expenses

EXHIBIT 5

ACTUARIAL STANDARD OF PRACTICE NO. 29

EXPENSE PROVISIONS IN PROPERTY/CASUALTY INSURANCE RATEMAKING

STANDARD OF PRACTICE

Section 1. Purpose, Scope, and Effective Date

1.1 Purpose—The purpose of this standard of practice is to provide guidance to actuaries in estimating costs for property/casualty insurance ratemaking other than (1) incurred losses, (2) the provision for profit and contingencies, (3) investment expenses, and (4) federal and foreign income taxes.

1.2 Scope—This standard of practice applies to all property/casualty insurance coverages. This standard also applies to property/casualty risk financing systems, such as self-insurance, that provide similar coverages. References in the standard to *risk transfer* should be interpreted to include risk financing systems that provide for risk retention in lieu of risk transfer.

1.3 Effective Date—This standard will be effective with respect to work performed after December 1, 1997.

Section 2. Definitions

The definitions below are defined for use in this actuarial standard of practice.

2.1 Commission and Brokerage Fees—Compensation to agents and brokers.

2.2 Expense Limitations—Legislative or regulatory rules that disallow or limit certain categories of expenses in determining rates.

2.3 General Administrative Expenses—All operational and administrative expenses (other than investment expenses) not specifically defined elsewhere in this section.

2.4 Loss Adjustment Expenses (LAE)—All expenses incurred in investigating and settling claims.

2.5 Other Acquisition Expenses—All costs, other than commission and brokerage fees, associated with the acquisition of business.

2.6 Policyholder Dividends—Nonguaranteed returns of premium or distributions of surplus.

2.7 Premium-Related Expenses—Those expenses that vary in direct proportion to premium, e.g., premium taxes. These expenses are sometimes referred to as *variable expenses*.

2.8 Rate—An estimate of the expected value of future costs.

2.9 Residual Market Provision—A provision for the entity's costs that represents its share of residual market profits or losses.

2.10 Statutory Assessment Provision—A provision for the entity's costs stemming from any mandated assessment.

2.11 Taxes, Licenses, and Fees—All taxes and miscellaneous fees except federal and foreign income taxes.

Section 3. Analysis of Issues and Recommended Practices

3.1 Categorizing Expenses—The actuary should be familiar with the pertinent requirements for defining expenses, such as those prescribed in the *Instructions for Uniform Classification of Expenses,* published by the National Association of Insurance Commissioners (NAIC), or Regulation 30 of the New York State Insurance Department. The actuary should also be familiar with the entity's own methods of classifying and assigning expenses.

3.2 Determining Expense Provisions—The actuary should determine the provisions for loss adjustment expenses; commission and brokerage fees; other acquisition expenses; general administrative expenses; and taxes, licenses, and fees that are appropriate for the policies to be written or coverages provided during the time the rates are expected to be in effect. In addition, where appropriate, the actuary should consider subdividing the expense categories. Expense provisions should reflect the conditions expected during the time these policies or coverages are expected to be in effect and should include all expenses expected to be incurred in connection with the transfer of risk.

For expenses other than premium-related expenses, the actuary should consider estimating these expenses on a basis that is not directly proportional to premium, such as per policy, per coverage, a percentage of claim losses, or per unit of exposure. Studies or actuarial judgment may support such estimates.

3.3 Start-Up Costs—The actuary may amortize start-up or development costs using an appropriate amortization period.

3.4 Expense Trending—In determining the future expense components of the rate, the actuary should be guided by Actuarial Standard of Practice (ASOP) No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

3.5 Policyholder Dividends—The *Statement of Principles Regarding Property and Casualty Insurance Ratemaking* of the Casualty Actuarial Society (CAS) classifies policyholder dividends as an expense to operations. When the actuary determines that policyholder dividends are a reasonably expected expense and are associated with the risk transfer, the actuary may include a provision in the rate for the expected amount of policyholder dividends. In making this determination, the actuary should consider the following: the company's dividend payment history, its current dividend policy or practice, whether dividends are related to loss experience, the capitalization of the company, and other considerations affecting the payment of dividends.

3.6 Residual Market and Statutory Assessment Provisions—The actuary should include a provision in the rate for any residual market costs or statutory assessments expected to occur during the period of time the rates are expected to be in effect. If these costs are assessed retrospectively, it may be appropriate to include a provision to recover these costs to the extent they were not included in previous rates.

3.7 Provision for Reinsurance—The actuary may elect whether to include the cost of reinsurance as an expense provision. If a provision for reinsurance is included, the actuary should consider the amount to be paid to the reinsurer; ceding commissions or allowances; expected reinsurance recoveries; and other relevant information specifically relating to cost, such as a retrospective profit-sharing agreement and reinstatement premiums between the reinsured and the reinsurer.

IUI EXHIBIT 6 **EXHIBIT 6**

Part 3A - 1 **CREDIT UNEMPLOYMENT EXPERIENCE** **INDICATED PREMIUMS** **Part 3A - 1**

30 DAY RETRO - SINGLE PREMIUM

REF. No.	NAIC #	Name	Earned Premiums	Incurred Claims	Actual Loss Ratio	Current Rate Per $100	Claims Cost Per $100	New Indicated Rate Per $100	% Indicated to Current Rate
2	10111	American Bankers Ins. Co. of Florida	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
4	19615	American Reliable Ins. Co. 1998-2001	973,472	55,566	5.71%	$ 5.50	$ 0.31	$ 0.63	
…………		2002 Experience results	109,609	8,726	7.96%	$ 5.50	$ 0.44	$ 0.88	
		Combined 1998-2002 results	1,083,081	64,292	5.94%	$ 5.50	$ 0.33	$ 0.65	11.9%
5	42978	American Security Insurance Company	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
7	24813	Balboa Insurance Company	00000	00000	00000	00000	00000	00000	
13	42986	Standard Guaranty Insurance Company	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
15	41211	Triton Insurance Company 1998-2001	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
17	25011	Wesco Insurance Company 1998-2001	618,186	84,681	13.70%	$ 4.00	$ 0.55	$ 1.10	
		2002 Experience results	365,192	68,059	18.64%	$ 4.00	$ 0.75	$ 1.49	
		Combined 1998-2002 results	983,378	152,740	15.53%	$ 4.00	$ 0.62	$ 1.24	31.1%

EXHIBIT 6

Part 3A - 3 **CREDIT UNEMPLOYMENT EXPERIENCE** **INDICATED PREMIUMS** **Part 3A - 3**

30 DAY RETRO - MOB

REF. No.	NAIC #	Name	Earned Premiums	Incurred Claims	Actual Loss Ratio	Current Rate Per $100	Claims Cost Per $100	Indicated Rate Per $100	% Indicated to Current Rate
1	19232	Allstate Insurance Company	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
2	10111	American Bankers I.C. of Fla. 1998-2001	15,681,404	357,829	2.28%	$ 0.390	$ 0.009	$ 0.018	
		2002 Experience results	2,946,517	222,696	7.56%	$ 0.390	$ 0.029	$ 0.059	
		Combined 1998-2002 results	18,627,921	580,525	3.12%	$ 0.390	$ 0.012	$ 0.024	6.2%
3	24376	American General Indemnity Company	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
4	19615	American Reliable Insurance Company	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
6	21296	Associates Insurance Company	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
7	24813	Balboa Insurance Company	00000	00000	00000	00000	00000	00000	
8	34274	Central States Ind. C.of Omaha 1998-2001	3,637,534	192,819	5.30%	$ 0.315	$ 0.017	$ 0.033	
		Central States Ind. C.of Omaha 1998-2001	2,857,664	261,869	9.16%	$ 0.261	$ 0.024	$ 0.048	
		Above Experience results (Combined)	6,495,198	454,688	7.00%	$ 0.291	$ 0.020	$ 0.041	
		2002 Experience results (Combined)	2,060,562	188,282	9.14%	$ 0.291	$ 0.027	$ 0.053	
		Combined 1998-2002 results	8,555,760	642,970	7.52%	$ 0.291	$ 0.022	$ 0.044	15.0%
9	20796	GE Casualty Insurance Co. 1998-2001	552,222	4,631	0.84%	$ 0.261	$ 0.002	$ 0.004	
		2002 Experience results	1,563	1,466	93.79%	$ 0.261	$ 0.245	$ 0.490	
		Combined 1998-2002 results	553,785	6,097	1.10%	$ 0.261	$ 0.003	$ 0.006	2.2%
10	40827	Combined Specialty Insurance Co. (2)	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
11	93521	General Fidelity Insurance Company	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
12	27138	Kemper Casualty Insurance Company	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
14	10952	Stonebridge Casualty Ins.Co. 1998-2001	432,800	31,483	7.27%	$ 0.350	$ 0.025	$ 0.051	
		Stonebridge Casualty Ins.Co. 1998-2001	2,737,865	81,700	2.98%	$ 0.350	$ 0.010	$ 0.021	
		Above Experience results (Combined)	3,170,665	113,183	3.57%	$ 0.350	$ 0.012	$ 0.025	
		2002 Experience results (Combined)	785,787	49,086	6.25%	$ 0.350	$ 0.022	$ 0.044	
		Combined 1998-2002 results	3,956,452	162,269	4.10%	$ 0.350	$ 0.014	$ 0.029	8.2%
16	35971	Voyager Property and Casualty Ins. Co.	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
17	25011	Wesco Insurance Company	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	

NOTE: The symbol "XXXXX" denotes that information submitted for this Sub-line was too small to be credible.
The symbol "00000" denotes that this Company did not answer the Data Call. It may be no longer writing business.
Where two lines of data are shown the Rates used, or Classes or Benefit Periods may be different.
The New Indicated Rate is based upon a 50% Loss Ratio Standard.

EXHIBIT 6

Part 3B - 2 **CREDIT UNEMPLOYMENT EXPERIENCE** **INDICATED PREMIUMS** **Part 3B - 2**

OTHER

REF. No.	NAIC #	Name		Earned Premiums	Incurred Claims	Actual Loss Ratio	Current Rate Per $100	Claims Cost Per $100	Indicated Rate Per $100	% Indicated to Current Rate
2	10111	American Bankers I.C. of Fla.	1998-2001	1,795,253	32,670	1.82%	$ 1.000	$ 0.018	$ 0.036	
		2002 Experience results		353,119	21,607	6.12%	$ 1.000	$ 0.061	$ 0.122	
		Combined 1998-2002 results		2,148,372	54,277	2.53%	$ 1.000	$ 0.025	$ 0.051	5.1%
5	42978	American Security I. C.	1998-2001	3,416,551	19,439	0.57%	$ 0.160	$ 0.001	$ 0.002	
		American Security I. C.	1998-2001	22,623,116	173,990	0.77%	$ 0.560	$ 0.004	$ 0.009	
		Above Experience results (Combined)		26,039,667	193,429	0.74%	$ 0.508	$ 0.004	$ 0.008	
		2002 Experience results (Combined)		6,928,406	192,044	2.77%	$ 0.508	$ 0.014	$ 0.028	
		Combined 1998-2002 results		32,968,073	385,473	1.17%	$ 0.508	$ 0.006	$ 0.012	2.3%
7	24813	Balboa Insurance Company		00000	00000	00000	00000	00000	00000	
8	34274	Central States Indemnity Co. of Omaha		XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
13	42986	Standard Guaranty Insurance Company		XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	

NOTE: The symbol "XXXXX" denotes that information submitted for this Sub-line was too small to be credible.
The symbol "00000" denotes that this Company did not answer the Data Call. It may be no longer writing business.
Where two lines of data are shown the Rates used, or Classes or Benefit Periods may be different.
The New Indicated Rate is based upon a 50% Loss Ratio Standard.

EXHIBIT 7

ARIZONA - CREDIT UNEMPLOYMENT PRIMA FACIE RATES

SINGLE PREMIUM RATES PER $10 0F MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elim.Period	Retro Benefits 30 Day Elim.Period
6	0.12	0.16
9	0.14	0.20
12	0.16	0.23
18	0.18	0.26
24	0.20	0.29

NOTE: Single Premiums are obtained by multiplying the above rates by the term of the loan in months.

MONTHLY PREMIUM RATES PER $10 0F MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elim.Period	Retro Benefits 30 Day Elim.Period
6	0.14	0.18
9	0.17	0.23
12	0.19	0.27
18	0.21	0.30
24	0.23	0.33

MONTHLY PREMIUM RATES PER $100 0F MONTHLY OUTSTANDING BALANCE
EXAMPLES:

Rates stated as $0.xx per $100 of outstanding balance per month should be consistent with the above rates. To satisfy this requirement the following formula may be used:

M = R x 10 x P

Where:

M = Monthly rate per $100 of outstanding balance
R = Rate per $10 of the monthly benefit term (from above monthly rates table).
P = Percent of outstanding balance required as the minimum monthly payment, but not less than 3.0% (to be expressed as a decimal in the formula).

Example (1): R = $0.30 (30 cents) per $10 of monthly benefit
P = Minimum monthly payment is 5%
Then M = .30 x 10 x .05 = $0.15 (15 cents) per $100 0f outstanding balance.

Example (2): R = $0.30 (30 cents) per $10 of monthly benefit
P = Minimum monthly payment is 3%
Then M = .30 x 10 x .03 = $0.09 (9 cents) per $100 0f outstanding balance.

MONTHLY PREMIUM RATES PER $100 0F MONTHLY OUTSTANDING BALANCE
EXAMPLES: P = Minimum monthly payment is 3%

Maximum Benefit Period in Months	R (from above) Non Retro Benefits 30 Day Elim.Period	M = R x 10 x .03 Non Retro Benefits 30 Day Elim.Period	R (from above) Retro Benefits 30 Day Elim.Period	M = R x 10 x .03 Retro Benefits 30 Day Elim.Period
6	0.14	0.04	0.18	0.05
9	0.17	0.05	0.23	0.07
12	0.19	0.06	0.27	0.08
18	0.21	0.06	0.30	0.09
24	0.23	0.07	0.33	0.10

NOTE:
All of the the above are Single Life rates. Joint Life rates may not exceed 165% of the Single Life rates.

CREDIBILITY TABLE

IUI EXHIBIT 8

ANNUAL EARNED PREMIUM	CREDIBILITY FACTOR
<24,000	0
24,000 to 43,999	0.15
44,000 to 67,199	0.20
67,200 to 97,199	0.25
97,200 to 133,199	0.30
133,200 to 173,999	0.35
174,200 to 219,599	0.40
219,600 to 271,199	0.45
271,200 to 327,599	0.50
327,600 to 389,999	0.55
390,000 to 458,399	0.60
458,400 to 531,599	0.65
531,600 to 609,599	0.70
609,600 to 693,599	0.75
693,600 to 783,599	0.80
783,600 to 878,399	0.85
878,400 to 977,999	0.90
978,000 to 1,083,599	0.95
1,083,600 +	1.00

NOTES:

(1) Use this Table to calculate T (the credible Loss Ratio)

If: A = Actual Incurred Loss Ratio
and: E = Expected Incurred Loss Ratio = 50% =.50
and: Z = The Credibility Factor from the above Table

Then: T = (Z x A) + ((1-Z) x E)

Rate Deviation Calculation Factor = T/E

(2) The experience period to which this table applies shall not be less than 1 year nor greater than 3 years.